

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6570**

**BILL NUMBER:** SB 504

**NOTE PREPARED:** Jan 7, 2013

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Hiring Returning Veterans.

**FIRST AUTHOR:** Sen. Skinner

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides a tax credit against state tax liability to an employer who hires an eligible returning veteran. The bill specifies that the amount of the credit is \$1,000 for each eligible returning veteran the employer hires who works 2,000 hours during the taxable year. The employer's credit is prorated if the employee works less than 2,000 hours.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, instructions, and software programs to implement the tax credit established by this bill. The DOR should have sufficient resources to make the necessary modifications to successfully administer these tax credits.

**Explanation of State Revenues:** *Summary -* This bill establishes a tax credit for a business that hires a veteran who was deployed on active duty within 2 years of being hired by the business. The credit is equal to \$1,000 per eligible veteran hired by the business during the taxable year. The estimated reduction in revenue from credit claims is approximately \$3.5 M each year. The actual revenue loss will depend heavily on future military deployments and separations from the military.

The credit is available to individuals and corporations, as applicable, beginning in tax year 2014. The revenue loss to the state General Fund would begin in FY 2015, but could begin in FY 2014 if taxpayers change their quarterly estimated payments in the first half of 2014.

*Additional Information* - The credit equals \$1,000 per eligible veteran hired by the business during the taxable year. To receive the full credit amount the eligible veteran must work at least 2,000 hours during the taxable year in which the veteran was hired, otherwise the business receives a prorated credit based on the number of hours the eligible veteran worked. The credit is not available for businesses that are required to rehire or hire a returning veteran by federal or state law.

The nonrefundable credit may be used to offset tax liabilities from the Individual Adjusted Gross Income Tax, Corporate Adjusted Gross Income Tax, Financial Institutions Tax, and Insurance Premiums Tax. Revenue collected from those taxes is deposited in the state General Fund. Under the bill, if the tax credit exceeds the taxpayer's tax liability, the taxpayer may carry forward the unused balance for up to four years. The taxpayer may not carry back any excess credits.

The estimate was computed using military separations data from the U. S. Department of Veterans Affairs (VA) and employment information from the Bureau of Labor Statistics (BLS). The VA estimates that 4,387 veterans will join the civilian workforce in 2012. The BLS reports that 11.6% of the veterans who served in Iraq, Afghanistan or both are unemployed, and 74.2% of the labor force is employed full-time. After applying the labor statistics to the separating veteran population, approximately 2,877 veterans may be employed full-time and 1,001 may be part-time employees. The full tax credit amount is applied to the full-time employees and \$650 is allocated to part-time employees.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Bureau of Labor Statistics (BLS): Employment Situation of Veterans - 2011, March 20, 2012; BLS: 2012 Employment & Earnings Online- Household Data - Persons at Work in Agriculture and Nonagriculture Industries by Hours of Work, 2011. U.S. Department of Veterans Affairs, VetPop2007 State Tables: 1s (Separations by State, Year, Gender), <http://www.va.gov/VETDATA/Demographics/Demographics.asp>.

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